

Message Text

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ACTION XMB-07

INFO OCT-01 EA-11 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 DRC-01 /089 W

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R 220823Z MAY 74

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 3913

INFO USDOM WASHDC

LIMITED OFFICIAL USE SEOUL 3262

EO 11652: N/A

TAGS: BMEP, KS

SUBJECT: INCHON III POWER PLANT

REF STATE 101055

FOR EXIMBANK

1. IN EMBASSY'S VIEW, HISTORY OF INCHON III THERMAL PLANT PROVIDES POSITIVE EVIDENCE THAT ROK HAS MADE CONSISTENT AND SINCERE EFFORT TO APPLY EXIM BANK CREDIT TO U.S. SUPPLIERS. CREDIT WAS ORIGINALLY ASSIGNED TO GE. UPON GE'S INDICATION OF A DESIRE TO WITHDRAW, KOREA ELECTRIC CO. (KECO) OPENED PROJECT TO BIDS IN ORDER TO ALLOW WESTINGHOUSE OPPORTUNITY TO COMPETE. UNFORTUNATELY FRENCH CAME IN WITH OFFER SIGNIFICANTLY BELOW THAT OF WESTINGHOUSE.

2. NEVERTHELESS, AT TIME OF DIRECTOR CLARK'S VISIT TO KOREA, EPB GAVE ASSURANCES PROJECT WOULD BE ASSIGNED TO WESTINGHOUSE IF THEY COULD BRING BID DOWN TO LEVEL COMPETITIVE WITH FRENCH. SURPRISINGLY, WESTINGHOUSE INFORMED US THAT THEY WERE NOT PREPARED TO RECONSIDER THEIR BID PACKAGE. AS A RESULT THE ROKG HAD NO CHOICE

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OTHER THAN TO AUTHORIZE KECO TO PROCEED TO COMPLETE

ARRANGEMENTS WITH FRENCH.

3. EMBASSY MADE LAST MINUTE ATTEMPT TO OBTAIN USE OF CREDIT FOR INCLUSION OF U.S. BOILERS AS PART OF FRENCH PACKAGE. WHILE INDICATING THIS WAS THEORETICALLY POSSIBLE, KECO PRESIDENT MIN STATED IT WAS TOO LATE TO REOPEN FRENCH CONTRACT WITHOUT OPENING THE WAY FOR A SUBSTANTIAL INCREASE IN OVERALL PRICE. FURTHERMORE, MIN REPORTED THAT AS A RESULT OF HIS VISIT TO EXIM BANK, HE HAD IMPRESSION KECO WOULD RECEIVE FAVORABLE CONSIDERATION FOR REASSIGNMENT OF EXIM'S INCHON III CREDIT TO KORI II NUCLEAR PLANT.

4. KECO HAS PAID HALF MILLION DOLLARS IN COMMITMENT FEES TO KEEP CREDIT ALIVE.

5. AT THIS POINT, CANCELLATION OF CREDIT WOULD BE CONSIDERED UNWARRANTED AND UNFAIR BY KOREANS, ESPECIALLY SINCE NEITHER WE NOR EXIM HAVE INDICATED THIS AS LIKELY OUTCOME. (WE HAVE NO RECORD OF PREVIOUS EXIM MESSAGE INDICATED PARA 2 REFTEL.)

6. IN VIEW OF HISTORY OF THIS PROJECT AND THE PRESENT FAVORABLE RELATIONSHIPS BETWEEN EXIM AND KECO, PLUS FACT THAT OTHER LARGER PROJECTS ARE IN PROSPECT, WE BELIEVE IT WOULD BE PRUDENT TO RECONSIDER THE POSSIBILITIES FOR THE REASSIGNMENT OF THE CREDIT TO NUCLEAR II, WE WILL DEFER DISCUSSING THIS SUBJECT WITH KECO UNTIL WE RECEIVE YOUR REPLY TO THIS SUGGESTION.
ERICSON

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Message Attributes

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